



Quarterly Report for the 3 months ended 31 July 2004

KEY POINTS

- **MPI Mines**
 - *Nickel profits and cashflow up strongly*
 - *Nickel production expansion plans announced (2 new mines)*
 - *Exploration success in and around Stawell Gold Mine*
 - *Aim to expand Stawell gold production to 130,000 ounces per annum*
- **Indophil Resources**
 - *World class copper – gold resource announced at Tampakan*
 - *Capable of supporting large copper mine for over 50 year life*
- **Gallery Gold**
 - *Mupane Gold Mine construction in Botswana 85% complete*
 - *Exploration success expands Buckreef Gold project in Tanzania*
- **Westonia Mines**
 - *Significant grade and resource increase improves Westonia project economics*

INVESTMENT SUMMARY TABLE

Investment	ASX Code	Country/Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted* \$m
At 30/07/04					
Unlisted Investments					
Copperbelt Selection		Africa – copper	32.5	0.3	0.2
Listed Investments					
Allegiance Mining	AGM	Australia – nickel	8.0	3.6	3.0
Austindo Resources	ARX	Indonesia/Aust – gold	11.9	3.4	3.0
Exco Resources	EXS	Australia – copper/gold	9.9	2.8	1.9
Gallery Gold	GGN	Botswana/Tanzania – gold	25.2	21.7	30.3
Havilah Resources	HAV	Australia - gold/base metals	22.6	2.3	3.5
Indophil Resources	IRN	Philippines - copper/gold	31.3	11.5	21.3
Lafayette Mining	LAF	Philippines - gold/base metals	22.4	10.0	13.0
MPI Mines	MPM	Australia – gold/nickel	13.6	9.5	26.3
Sedimentary Holdings	SED	Australia – gold	26.5	8.1	14.7
Westonia Mines	WEZ	Australia – gold	34.1	4.0	11.4
Total Investments				77.1	128.7
Net Cash					32.5
Total Net Assets					161.1
Net Asset Value (NAV) before tax (cents per share)					161.0
Net Asset Value (NAV) after tax (cents per share)					153.3

- For NAV purposes, the value of listed investments is at market and unlisted investments at the lower of cost or net realisable value
- **INCREASED INVESTMENT SINCE END OF QUARTER: WESTONIA AND AUSTINDO**

**INVESTEE UPDATE****MPI MINES LIMITED – AUSTRALIA/GOLD & NICKEL (LION - 14%)**

	June Qtr 2004	March Qtr 2004
Black Swan Nickel Mine Production (MPI – 80%)		
Nickel shipped (tonnes)	1,874	2,728
Total unit cost (A\$/lb Ni shipped)	5.21	5.71
Stawell Mine Production (MPI – 100%)		
Gold production (ounces)	23,034	23,820
Total production cost (A\$/oz)	548	642
Coolgardie Gold Joint Venture (MPI- 50%)		
Gold production (ounces)	15,215	21,508
Total production cost (A\$/oz)	758	602

Nickel

Nickel production was lower than previous periods due to the failure of two primary ventilation fans at the Black Swan nickel mine in Western Australia in June. Repair work was undertaken and one of the main fans has been returned to service. It is anticipated that production will return to a rate of 10,000 tonnes nickel metal per annum from Silver Swan in the next quarter.

MPI Mines is spending \$9 million on exploration and resource definition activities in the nickel business during 2004. Expenditure during the quarter totalled \$2.2 million.

Exploration at Silver Swan is focused on extending the reserves and life of the underground operation through conversion of resource into reserve and discovery of down plunge extensions of the known mineralised channels and shoots and new lateral channels.

Nineteen holes were completed during the quarter for 3,597 metres at Silver Swan Mine. Resource definition drilling within the main mineralised channels resulted in intercepts of 6.6 metres at 8.3% Ni and 2.7 metres at 15.2% Ni with an intercept of 3 metres at 5.7% Ni around the margins of the Gosling mineralisation. Over the next quarter the program will be accelerated and the series of holes drilled parallel to the footwall contact will be completed. Exploration drilling will test for new lateral channels and extensions to existing lateral channels.

MPI reported that the Black Swan Disseminated (BSD) Phase 1 project was completed on schedule and within budget. The first ore was treated and commissioning will continue in the next quarter.

A feasibility study commenced for the BSD Phase 2 project, investigating an expansion in contained nickel in concentrate to approximately 8,000 – 10,000 tonnes per annum from the open pit.

BSD Phase 2 would require mining and milling 2 million tonnes of ore per annum for a mine life of around 3 years. This feasibility study is expected to be completed by the end of the next quarter.



It is estimated that construction could commence in the December quarter of this year with production to increase from the BSD Phase 1 rate of 2,500 tonnes nickel per annum to the BSD Phase 2 rate of 8-10,000 tonnes per annum of nickel by the September quarter of 2005.

At the Wedgetail massive sulphide project at Honeymoon Well, prefeasibility studies have confirmed that the underground project is viable.

An indicated and inferred resource of 1.07 million tonnes at 6.9% Ni has been defined. Metallurgical testing confirmed that the bulk of the mineralisation is amenable to conventional flotation with high recoveries and treatment by conventional smelters.

Based on treating 250,000 tonnes per annum ore at a head grade of 3.5 - 4% Ni, production of approximately 8,000 tonnes contained nickel per annum can be achieved over a project life of at least five years.

The final feasibility study is considering several development treatment scenarios for the Wedgetail project and will be completed by October this year.

Gold

At the Stawell Gold Mine (100% owned by MPI since 1 March 2004) ore production was impacted by the transition from stoping areas of the Magdala mine to new areas in Golden Gift with mining activities restricted to a relatively congested configuration as the Golden Gift stopes are developed. Production was supplemented by remnant ore sourced from the upper levels of the Magdala mine.

MPI is planning to spend approximately \$10 million on exploration and resource definition activities in its gold businesses during 2004. Expenditure during the quarter totalled \$2.4 million.

Stawell Gold mine exploration is aimed at expanding the reserve base to support a mining rate of 130,000 ounces per annum for approximately 10 years. This is reflected in the reserve increase of 75,000 ounces, which after allowing for mining depletion over the six months to June 30 of 60,000 ounces resulted in a net addition of 15,000 ounces. Drilling at Stawell, during the quarter, was targeted at conversion of resource to reserve rather than increasing the overall resource base.

The corridors to the north and south of Stawell have been identified as hosts to repetitions of the Stawell style of mineralisation. Encouraging drill intercepts from Wildwood, 30 kilometres northwest of Stawell, have been recorded. Best intercepts included 10 metres at 12.7 g/t Au. Drill testing at Kewell, 100 kilometres northwest of Stawell, recorded the following intercepts: 1.3 metres at 3.4 g/t Au from 302 metres and 2 metres at 3.5 g/t Au from 155 metres. Fluid flow modelling of the Kewell dome will be undertaken to generate further drilling targets.

Production from the Coolgardie Gold Mine in Western Australia (managed and 50% owned by MPI) was adversely impacted by equipment availability and stoping sequences, however is expected to improve over the next quarter. Subsequent to the end of the quarter, MPI announced its intention to sell its 50% interest in Coolgardie on a going concern basis.

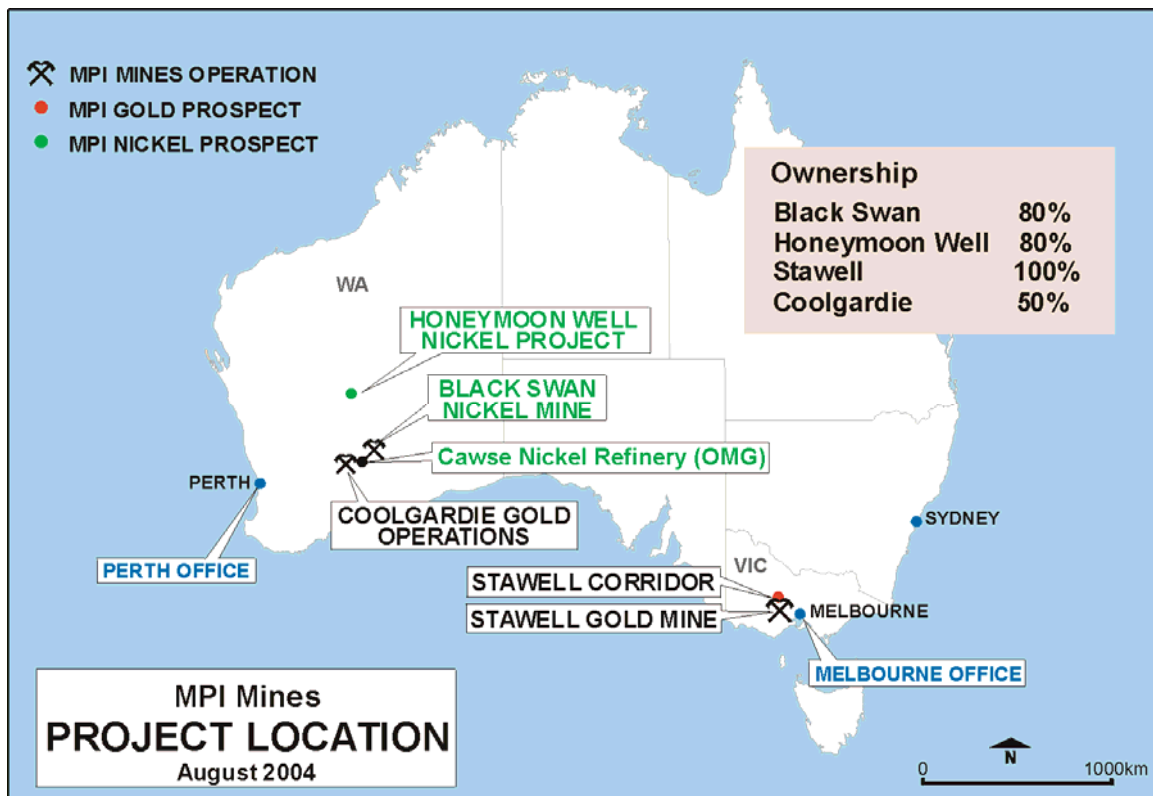
Corporate

MPI reported its consolidated debt position at quarter end was \$19.5 million, down from \$26.2 million at 31 March 2004. The consolidated cash position was \$77.4 million compared to \$69.1 million at 31 March 2004. This increase in the cash position partially reflects the timing of nickel sales receipts. Net cash balance at the end of the quarter was \$57.9 million.



Subsequent to the end of the quarter, MPI released their half year financial results ended 30 June 2004 with an after tax profit of \$11.5 million. Cash flows from operating activities for the period were up strongly to \$59.2 million, assisted by favourable working capital movements. After funding capital and development expenditure of \$20.3 million, exploration and evaluation expenditure of \$6.6 million, repaying a net \$9.2 million of debt, lease payments of \$0.7 million and receiving \$29.5 million from share issues, the net cash increase during the half year was \$51.9 million.

On 18 June MPI announced that Mr Jim Lewis was appointed to the Board as a non-executive director of the company.



INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (LION – 31%)

Excellent progress has been made on the Tampakan copper-gold project in the Philippines. A JORC Code standard resource estimate was reported by Indophil for the first time and demonstrated a World Class resource capable of supporting a large copper mine for over 50 years.

Inferred Resource Estimates:

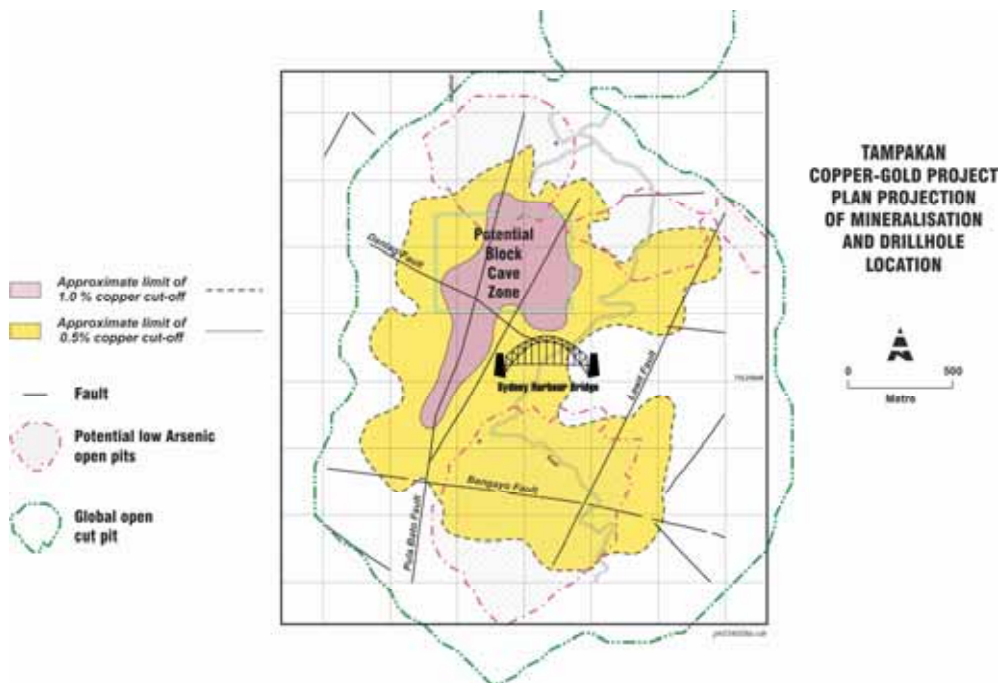
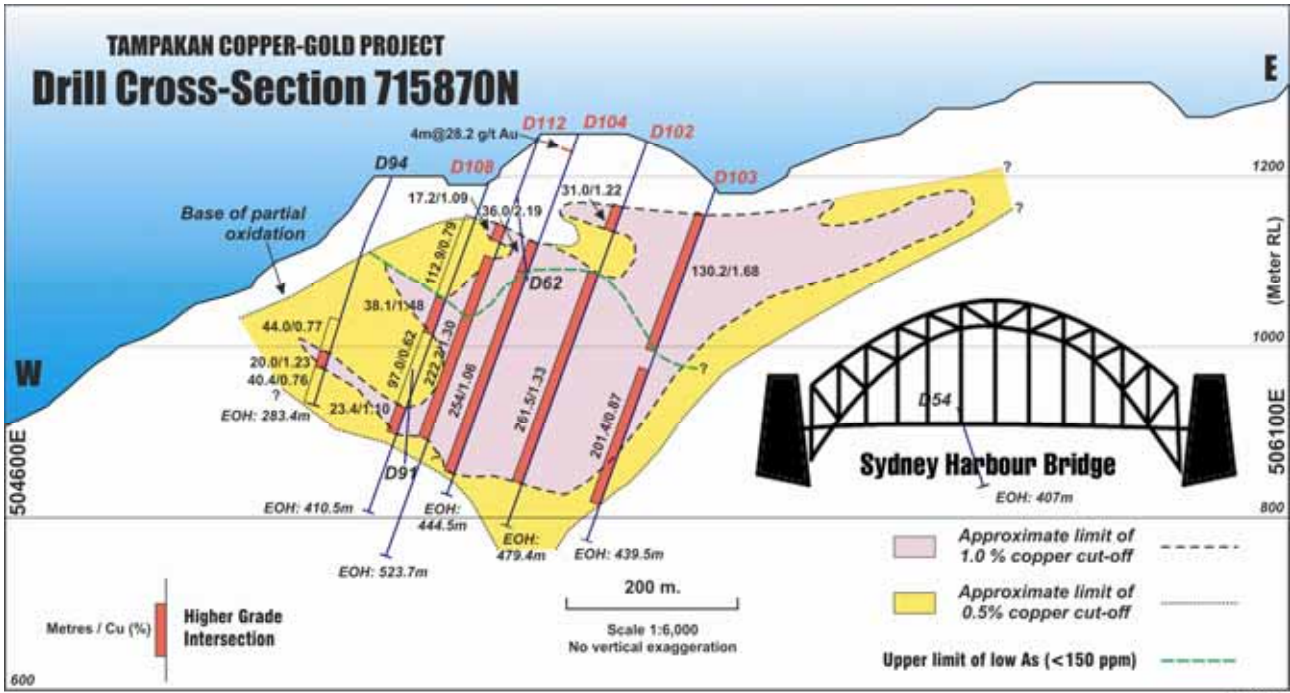
0.2% Cu cut-off	1270 Mt	0.6% Cu	0.25 g/t Au	7.5 Mt Cu	10.2 Moz Au
0.5% Cu cut-off	660 Mt	0.8% Cu	0.3 g/t Au	5.3 Mt Cu	6.8 Moz Au
1.0% Cu cut-off	150 Mt	1.27% Cu	0.5 g/t Au	1.9 Mt Cu	2.3 Moz Au

There is also potential for an additional resource at 0.2% copper cut-off grade of between 0.5 billion tonnes and 1.2 billion tonnes grading around 0.4% copper (2-6 million tonnes of copper) and



0.2 g/t gold (3-7 million ounces of gold). The JORC resource does not take into account detailed feasibility studies on mining, metallurgical, environmental, marketing and other economic factors. These issues will be addressed in a Bankable Feasibility Study.

Metallurgical testwork returned good results with likely copper and gold recoveries estimated to be around 90% and 70% respectively. Concentrate grades between 30% and over 50% copper should be produced, depending on the mineralisation type being treated. Indophil reports that the Scoping study defining all parameters to be considered in the Pre-feasibility Study is on schedule and due for completion by end July with a final report due by mid-August 2004.



**GALLERY GOLD LIMITED – BOTSWANA & TANZANIA/GOLD (LION - 25%)**

Construction of the Mupane Gold Mine in Botswana was 85% complete at the end of the June quarter. Mining is underway, ore stockpiling has commenced and Gallery is confident of meeting an October target for the first gold pour. Contractor Basil Read was awarded a US\$50m mining contract for the first three years of the mine's life. Meanwhile, continuing exploration aimed at identifying new feedstock options for the Mupane project produced the following positive results at Tau and several satellite sites during the quarter:

- The main Tau deposit resource was increased by 5% in an updated resource model and scoping study is now evaluating the underground potential below the Tau pit. The new upgraded resource has been estimated at 6.6 million tonnes at 3.3 g/t Au for 705,000 ounces.
- A 45% increase in resources at Map Nora was identified after a more detailed evaluation of the underground deposit was undertaken. A scoping study into mine design and costing has commenced, scheduled for completion in August 2004. The new resource has been estimated at 0.6 million tonnes at 13.9 g/t Au for 254,000 ounces.
- The extensive second quarter trenching and drilling program at Golden Eagle-Kite is expected to identify significant new open pit deposits.

Encouraging progress is also being made at the Buckreef-Rwamagaza gold project in Tanzania, where there are two percussion drill rigs and one diamond drill rig operating into the next quarter. Recent drilling at Buckreef-Rwamagaza identified significant extensions to potential surface and underground deposits. At the high grade zone at Buckreef, drilling over the last quarter returned 23 metres at 4.3 g/t Au including 5 metres at 8.8 g/t Au. High grade extensions to the main Buckreef deposit have the potential to increase the resource from the current 614,000 ounces to more than 1 million ounces.

Progress from the Rwamagaza area include 16 metres at 22.1 g/t Au including 4 metres at 84.2 g/t Au at Bingwa whilst drilling at the Busolwa prospect has returned 10 metres at 2.6 g/t Au and 10 metres at 4.5 g/t Au.

During the quarter, Gallery completed a share placement and Share Purchase Plan raising \$15.5 million at 25 cents per share for exploration and resource assessment in Tanzania and Botswana. Cash at the end of June amounted to \$A17.8 million. As at June 30, total funds drawn from the Mupane facility of US\$26.5 million totalled US\$17.3 million.

WESTONIA MINES LIMITED - WESTERN AUSTRALIA/GOLD (LION – 34%)

Drill results from the previous operator underestimated gold assays by an average of 20%. A program of comparative sampling and assaying was undertaken which has resulted in the following increase in Global Resource which is compared to the Resource used in the Bankable Feasibility Study (BFS) in the table below:

	Indicated		Inferred		Total		Ounces
July 2004	23.1 Mt	@ 1.41 g/t	7.3 Mt	@ 1.35 g/t	30.4 Mt	@ 1.39 g/t	1.36M
BFS	19.4 Mt	@ 1.36 g/t	5.1 Mt	@ 1.33 g/t	24.5 Mt	@ 1.36 g/t	1.07M



These estimates are both to a depth of 300 metres and at a cut-off of 0.7 g/t. In-situ gold ounces have increased by 27%.

Subsequent to the end of the quarter, Westonia released an updated estimate of the Probable Ore Reserve within a new optimised pit:

15.6 Mt @ 1.37 g/t for 687,000 ounces

Compared to BFS estimates, tonnes are up 22%, grade up by 5% and contained ounces up 30%.

The new pit also contains an Inferred Resource of an additional:

1.4 Mt @ 1.42 g/t for 64,000 ounces

Westonia will drill out these Inferred Resources when the old open cut is dewatered, with the aim of converting them to Indicated Resources to enable them to be reclassified as reserves within the new pit.

The recovery of a further 42,000 ounces from treatment of existing low grade oxide dumps is also anticipated.

The BFS formed the basis for a Debt Information Memorandum which was forwarded to resource banks, with formal due diligence now in progress. Tenders for open pit mining, power supply, village/camp and process plant relocation and construction have been called for the project.

Subsequent to the end of the quarter, on 20 August 2004, Lion Selection Group subscribed for 4 million ordinary shares in Westonia at 25 cents, totalling \$1 million. This brings Lion's holding to 38.55 million shares representing 36.6% of issued capital. The funds will be used for pre-development activities pending finalisation of bank funding for the project.

LAFAYETTE MINING LIMITED - PHILIPPINES/GOLD & BASE METALS (LION 22%)

Lafayette announced that construction of the Rapu Rapu polymetallic project in the Philippines has now commenced following a longer than anticipated pre-construction phase. Rapu Rapu is the first foreign funded new mine to start in the Philippines since 1968, and will produce copper, gold, silver and zinc over its initial six year mine life. Exploration success is expected to increase this mine life.

During this quarter, Lafayette drew down equity funds to the value of US\$6 million from LGI International (LGI) and KORES, the investment arm of the Korean Government. LGI and KORES now jointly hold 26% of Lafayette's operating subsidiary in the Philippines, with Lafayette holding the balance.

In mid July, the Notice to Proceed with the second and final phase of construction of the Rapu Rapu project was issued to Leighton Contractors Philippines Inc. and work on site is advancing satisfactorily. The fixed lump sum price for construction was finalised at US\$32 million. Two grinding mills have been purchased from the USA and are currently being shipped to the Philippines.



An extensive exploration program involving a ground based magnetic survey has been developed for prominent prospects close to the existing Rapu Rapu development. This program, due for completion by year end, aims to generate priority targets for a drilling campaign early in 2005.

SEDIMENTARY HOLDINGS LIMITED - QUEENSLAND/GOLD (LION – 27%)

Over the quarter progress was made in all facets of project development at the Cracow Gold Mine (Sedimentary 30%, Newcrest 70%) in Queensland. Capital expenditure and forecasts remain within original budgets and production of gold is scheduled to commence in the December quarter of 2004. Decline development advanced to 1007 metres from the portal and underground diamond drilling for mine planning purposes commenced in the upper Royal Shoot.

Drilling at Cracow has been undertaken on the Sterling structure, however, no significant gold values were recorded for the period. Further drilling is scheduled to recommence in mid-August.

Sedimentary's 30% share of Cracow production is estimated to total 204,000 ounces over an initial mine life of 7 years, with its share of output up to 35,000 ounces per annum. Mine grade is expected within a range of 11 – 14 g/t Au, metallurgical recovery is estimated at 90-94%, and operating costs and total production costs are projected to be A\$220 per ounce and A\$360 per ounce respectively.

AUSTINDO RESOURCES CORPORATION NL – INDONESIA & AUST/GOLD (LION – 12 %)

The draft Bankable Feasibility Study (BFS) on the Cibaliung gold project in Indonesia has been completed and is now under review by Austindo and its partner in Cibaliung, Pt AnTam Tbk. Permitting and associated approvals for the project have been ongoing in parallel with the BFS and are well advanced. Two bank consortia have been short-listed to provide proposals for financing the project. These banks are due to commence a detailed review of the BFS and project due diligence.

Exploration at Cibaliung has continued with the aim of locating new high grade ore shoots. Drilling of selected target areas was carried out to obtain further geological information and test the model. The first phase of scout exploration drilling was undertaken during this quarter with no holes intersecting economic mineralisation. However, they have provided useful information to assist in the next phase of drilling, scheduled for the second half of this year.

Austindo is at an advanced stage in acquiring additional project areas in Indonesia and is actively pursuing a number of specific targets.

Subsequent to the end of the quarter, Austindo announced the decision to proceed with a placement of up to 70 million shares at 4.3 cents per share to raise additional working capital of \$3 million to fund the Company through the pre-implementation phase of Cibaliung. Lion will make a further investment in Austindo through the placement.

EXCO RESOURCES NL - AUSTRALIA/COPPER & GOLD (LION – 10%)

During the quarter, Exco reported on continuing feasibility work on the Cloncurry Copper Project in Queensland. All resource, metallurgical and geotechnical drilling is now complete with metallurgical studies, site investigations, permitting, logistics and concentrate marketing proceeding.



The feasibility study timing has been revised and production is now scheduled for the fourth quarter of 2005.

During the quarter, a Combined Indicated and Inferred resource estimate was completed on the E1 North copper deposit at Cloncurry of:

0.7% Cu cut-off from 6.11 Mt @ 1.28% Cu 0.39 g/t Au for 78,208t Cu and 76,600oz Au
or

1.0% Cu cut-off from 4.65 Mt @ 1.40% Cu 0.40 g/t Au for 65,100t Cu and 59,800oz Au

Subsequent to the end of the quarter, Exco released drilling results for the E1 North deposit. These results confirmed the depth and grade continuity of the deeper part of the deposit and are expected to upgrade inferred resource to the indicated category.

Drilling from the main pit at the Great Australia deposit at Cloncurry has resulted in the following significant high grade copper intercepts:

EGARC001	45m	@	1.98% Cu	(incl 30m @ 2.64% Cu)	from	0m
EGARC002	18m	@	4.57% Cu		from	9m
EGARC003	29m	@	3.11% Cu	(incl 19m @ 4.31% Cu)	from	65m
EGARC006	6m	@	3.37% Cu		from	52m

Resource and metallurgical drilling has been completed at the Great Australia, Monakoff, Turpentine and Mt Margaret deposits at Cloncurry.

At the White Dam Gold deposit in South Australia results from infill drilling have provided further confirmation of the continuity, thickness and grade of the gold mineralisation in the planned trial pit, including:

WDRC271	6m	@	2.48 g/t Au	from	3m
WDRC278	9m	@	2.37 g/t Au	from	2m
WDRC281	17m	@	3.90 g/t Au	from	8m

Updated resource estimation and a decision on trial mining is expected soon. Drilling during the quarter at the nearby Vertigo Gold prospect in South Australia has confirmed the geological model of a sub-horizontal open folded sheet. Work on the geological interpretation and a preliminary resource estimate is in progress.

ALLEGIANCE MINING NL – AUSTRALIA/NICKEL (LION - 8%)

Good progress has been made at the Avebury Nickel Project in Tasmania. Improved ground conditions over the quarter have seen the Viking Decline advance 192 metres from 9 metres to 201 metres as at the end of July. A partially upgraded Trial Harbour Road is now giving all weather conditions access.

The 1,300 metre decline, currently advancing 6 to 8 metres per day, is scheduled for completion by late 2004 or early 2005. Underground drilling is scheduled to commence in August and is planned for completion in January 2005. This drilling will provide input for further detailed evaluation of



geotechnical and metallurgical characteristics for the ore reserve calculation and detailed mine planning. A Definitive Feasibility Study on a mine and treatment plant at Avebury started in the quarter and is scheduled for completion by April 2005.

Further encouraging drill results were received from a shallow close spaced drilling program at the Melba Flats project. A 2 to 3 metre wide zone of disseminated Ni - Cu - Au - PGM mineralisation was identified over a strike length of approximately 200 metres, with isolated patches of massive sulphide, typically assaying 8 – 10% Ni. Results will be assessed with the possibility of a small scale toll treatment.

Allegiance reported that it is anticipated that a small pro-rata rights issue will be made in the third quarter. The current cash position is \$4.2 million following the expenditure of \$2.2 million in the June quarter.

HAVILAH RESOURCES NL - SOUTH AUSTRALIA/GOLD & BASE METALS (LION – 23%)

Havilah's drilling in the Curnamona Craton at the North Portia copper prospect has returned several encouraging intersections:

NPAC003	38 metres	@	0.66 g/t Au	3.01% Cu	261 Mo ppm	from	87 metres
NPAC004	12 metres	@	0.38 g/t Au	0.75% Cu	752 Mo ppm	from	111 metres
NPAC014	72 metres	@	0.38 g/t Au	0.59% Cu	87 Mo ppm	from	87 metres
	incl 27 metres	@	0.57 g/t Au	0.92% Cu	160 Mo ppm	from	117 metres
NPAC015	36 metres	@	1.0 g/t Au	1.55% Cu	558 Mo ppm	from	129 metres
	incl 15 metres	@	1.9 g/t Au	3.1% Cu	1109 Mo ppm	from	129 metres

These results add support for the delineation of a potential economic copper-gold-molybdenum deposit. A favourable aspect is the relatively high metal values represented by these intersections, with significant contributions from the gold and molybdenum credits.

At Portia, Havilah has reported encouraging bedrock gold intersections including:

PTAC 005	8 metres	@	3.0 g/t Au	from 74-82 metres
PTAC 013	6 metres	@	4.4 g/t Au	from 77-83 metres
PTAC 024	6 metres	@	6.1 g/t Au	from 73-79 metres
PTAC 034	4 metres	@	3.0 g/t Au	from 76-80 metres

At this time Havilah has been unable to replicate the high grade bedrock gold results achieved by the former Pasminco – Werrie Gold joint venture and current indications are that the bedrock gold resource is insufficient to support a conventional open pit mine. By contrast, the base of Tertiary gold mineralisation has proven to be consistent and predictable at an average grade of 4 g/t in a laterally extensive horizontal layer. Havilah plans to investigate non-conventional mining methods to exploit the base of Tertiary gold mineralisation, while at the same time continuing to drill for the primary bedrock source of the gold.

Drilling has recently commenced at the nearby Kalkaroo prospect with the objective of establishing a viable resource within the mineralisation envelope modelled from past major company drilling results. Results will be reported from Kalkaroo and other projects over the next few months.



SHAREHOLDER PHOTOGRAPHY COMPETITION – 2004 ANNUAL REPORT

Shareholders are invited to submit lion photographs for the cover of the 2004 Annual Report. This year, images in landscape format of lions walking are preferred. Past cover images have been contributed by shareholders James Mitchell/Elizabeth Costello, Wayne Bishop, Robyn Stewart, Judith Russell and Wesley Askew.

Images can be submitted as high quality photographic prints or computer files (Photoshop TIF file 300dpi or Illustrator EPS file 800dpi). Photos must be taken by the shareholder and will be returned at the close of the competition.

The winning entry will be selected by the Lion team in Melbourne and the photographer will receive a framed copy of the report cover.

Send entries to (with return contact details and details of where photo was taken):

Brooke Benfield
Investor Relations Manager
Lion Selection Group
Level 4, 15 Queen Street
Melbourne VIC 3000
Ph 9614 8008
Fax 9614 8009

SHAREHOLDER INFORMATION

<i>Issued shares:</i>	<i>100.1 million</i>	<i>Share price at quarter end:</i>	<i>\$1.52</i>
<i>Quarter High:</i>	<i>\$1.73</i>	<i>Quarter Low:</i>	<i>\$1.26</i>
<i>Volume traded:</i>	<i>20.5 million</i>	<i>NAV after tax:</i>	<i>\$1.53</i>

Further enquiries:

Brooke Benfield
Investor Relations Manager
Lion Selection Group Limited
Email: lionselection@lsg.com.au

* Any resource estimates provided within this quarterly report were sourced from relevant investee company quarterly reports.